

Message Text

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PAGE 01 EC BRU 05813 271315Z

51

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PASS ROME ASSISTANT SECRETARY ENDERS

E.O. 11652: GDS

TAGS: PFOR, ENRG, EEC, IEA

SUBJECT: EC ENERGY COUNCIL, JUNE 26, 1975: FRENCH STRONGLY OPPOSE

THE MINIMUM SAFEGUARD PRICE AND IEA RESOURCE SHARING SCHEMES

REFS: A) EC BRUSSELS 5531

B) EC BRUSSELS 5357

1. BEGIN SUMMARY: THE EC ENERGY COUNCIL MET IN LUXEMBOURG ON JUNE 26, 1975. DISCUSSION OF THE COMMISSION'S PROPOSALS REGARDING THE FINANCING OF ALTERNATIVE ENERGY SOURCES, INCLUDING THE CONCEPT OF A MINIMUM SAFEGUARD PRICE, DOMINATED THE RESTRICTED PORTION OF THE MEETING. THE FRENCH CAME OUT MORE STRONGLY THAN EVER BEFORE AGAINST THE SAFEGUARD PRICE CONCEPT. THEY ALSO SPOKE OUT FORCEFULLY AGAINST THE IEA RESOURCE SHARING ARRANGEMENTS, POINTING OUT THAT IMPLEMENTATION OF THESE MEASURES BY EC MEMBER STATES DURING TIMES OF SCARCITY COULD CAUSE THEM TO BE IN VIOLATION OF ARTICLE 34 OF THE TREATY OF
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PAGE 02 EC BRU 05813 271315Z

ROME (WHICH PROHIBITS RESTRICTIONS ON EXPORTS FROM ONE

MEMBER STATE TO ANOTHER). OTHER ASPECTS OF ENERGY COUNCIL MEETING ARE BEING REPORTED IN SEPTTEL.) END SUMMARY.

2. FINANCING ALTERNATIVE SOURCES: THE MINISTERS DISCUSSED POSSIBLE METHODS FOR FINANCING ALTERNATIVE SOURCES OF ENERGY AT CONSIDERABLE LENGTH. OUR SOURCES REPORT THAT, WHILE THIS WAS THEIR FIRST OPPORTUNITY TO CONSIDER THE COMMISSION PAPERS ON THE SUBJECT (REFTEL B), THERE WAS NO CONCLUSIVE DISCUSSION. MOST MEMBER STATES SIMPLY REITERATED THEIR ALREADY WELL-KNOWN POSITIONS. (THE BRITISH AND DUTCH WERE IN FAVOR, THE GERMANS LUKEWARM AND THE ITALIANS VERY SKEPTICAL.) ACCORDING TO A SOURCE PRESENT FOR THE DISCUSSIONS, THE FRENCH, HOWEVER, CAME OUT "MUCH MORE STRONGLY" THAN BEFORE IN OPPOSITION TO THE CONCEPT OF A MINIMUM SAFEGUARD PRICE. THE FRENCH POINTED OUT THAT FOR THEM ALTERNATIVE SOURCES MEANT NUCLEAR POWER GENERATION AND BECAUSE THIS WAS A STATE-CONTROLLED INDUSTRY THE AMOUNT OF GOVERNMENT SUPPORT FOR NUCLEAR POWER GENERATION WAS NOT DEPENDENT ON THE PRICE OF OIL (SEE REFTEL A). THEY EXPECTED TO REMAIN A MAJOR ENERGY IMPORTER AND THEREFORE A HIGH PRICE FOR OIL WAS NOT IN THEIR NATIONAL INTEREST. FINALLY, THE FRENCH SAID THAT ANY ESSENTIALLY "PROTECTIONIST" GESTURE ON THE PART OF THE COMMUNITY, SUCH AS THE APPROVAL OF A MINIMUM SAFEGUARD PRICE MECHANISM, WOULD RUN COUNTER TO EFFORTS TO RESUME THE PRODUCER-CONSUMER DIALOGUE.

3. BELGIAN PRICE PROPOSAL: ALTHOUGH WE DO NOT YET KNOW THE DETAILS, THE BELGIAN DELEGATION, WHICH INCLUDED DAVIGNON, PROPOSED THE WORKING OUT OF A MINIMUM SAFEGUARD PRICE RANGE OR FORK. BELGIAN PERM DEL SOURCES EMPHASIZED THAT THIS MECHANISM IS NOT TO BE A "WAR MACHINE" AND THAT ITS OPERATION WOULD BE WORKED OUT SLOWLY AND IN CLOSE COORDINATION WITH PRODUCER COUNTRIES AND WITH LDC'S. THEY ADDED THAT ANY MINIMUM SAFEGUARD PRICE MUST TAKE INTO ACCOUNT THE EXTERNAL COSTS (SAFETY, ENVIRONMENTAL PROTECTION, ETC.) ASSOCIATED WITH THE DEVELOPMENT OF ALTERNATIVE SOURCES. CONFIDENTIAL

CONFIDENTIAL

PAGE 03 EC BRU 05813 271315Z

4. FURTHER DISCUSSION IN JULY?: NO DECISIONS REGARDING FINANCIAL SUPPORT FOR ALTERNATIVE SOURCES WERE TAKEN BY THE COUNCIL. THE TWO PAPERS ON WHICH THE DISCUSSION WERE BASED (REFTEL B) ARE TO BE REVISED BY THE ENERGY GROUP AND BY THE COMMITTEE OF PERMANENT REPRESENTATIVES (COREPER). COREPER HAS BEEN INSTRUCTED TO ATTEMPT TO SCHEDULE ANOTHER ENERGY COUNCIL MEETING TO DISCUSS

THE ALTERNATIVE SOURCES ISSUE AT THE END OF JULY. ONE SOURCE, HOWEVER, DOUBTS THAT SUCH A MEETING CAN BE HELD UNTIL SEPTEMBER, AFTER THE SUMMER BREAK.

5. EC RESOURCE SHARING AND THE IEA. THE COUNCIL ALSO DISCUSSED THE ESTABLISHMENT OF A COMMUNITY MECHANISM FOR RESOURCE SHARING IN TIME OF CRISIS. THE FENCH, OPPOSED FORCEFULLY BY THE DUTCH, URGED THE COMMUNITY NOT TO TAKE ACTION ON A RESOURCE SHARING ARRANGEMENT. THEY REPORTEDLY SAID THE COMMUNITY SHOULD DO NOTHING TO ENDANGER THE RESUMPTION OF THE PRODUCER/CONSUMER DIALOGUE AND THAT RESOURCE SHARING MECHANISMS COULD BE WORKED OUT WHEN AND IF THEY WERE NEEDED. IN THIS CONNECTION, ACCORDING TO A PERM REP SOURCE, THE FRENCH DELEGATION, LED BY INDUSTRY MINISTER MICHEL D'ORNANO, MADE THEIR STRONGEST INTERVENTION YET AGAINST THE IEA. THE FRENCH SUGGESTED THAT THE ACTIVATION OF RESOURCE SHARING OBLIGATIONS UNDERTAKEN BY THE EIGHT EC IEA MEMBERS, SINCE FRANCE IS EXCLUDED, WOULD VIOLATE ARTICLE 34 OF THE TREATY OF ROME (WHICH PROHIBITS QUANTITATIVE RESTRICTIONS ON EXPORTS FROM ONE MEMBER STATE TO ANOTHER). WHILE SEVERAL DELEGATIONS WERE PRIVATELY BEMUSED AT SEEING FRANCE IN THE ROLE OF A DEFENDER OF THE TREATY'S SANCTITY, THERE WAS, ACCORDING TO ONE SOURCE, NO DISCUSSION OF THE FRENCH STATEMENT WHICH HE DESCRIBED AS "A GAUNTLET TOO HOT TO HANDLE". GREENWALD

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